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Ontario. Hydro-Electric Inquiry
Commission, 1922-1924

J. ALLAN ROSS
Commissioner

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HYDRO-ELECTRIC INQUIRY COMMISSION

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

Reports on investigation of accounts



WALKERTON QUARRY
REPORT DATED SEPTEMBER 23, 1922

Pice, Waterhouse & Co.

ROYAL BANK BUILDING
TORONTO, ONT., CANADA

PRICE, WATERHOUSE & CO.

CANADA, UNITED STATES, MEXICO,
GREAT BRITAIN.

ROYAL BANK BUILDING

CONTINENTAL EUROPE, ETC.
PRICE, WATERHOUSE, PEAT & CO.
SOUTH AMERICA
PRICE, WATERHOUSE, FALLER & CO.
ALSO, GREAT BRITAIN
W. B. PEAT & CO.

TORONTO

September 23rd, 1922.

W. D. Gregory, Esq., Chairman,
Hydro-Electric Inquiry Commission,
Toronto, Ontario.

Dear Sir:-

WALKERTON QUARRY

In accordance with your instructions we have made a general investigation of the accounts and records of the Hydro-Electric Power Commission of Ontario, relating to the Walkerton Quarry, and the relations of the Hanover Portland Cement Company, Limited, in connection with operating the quarry, and now beg to submit our report:

A stone quarry situated in the vicinity of Walkerton, Ontario, later known as the Walkerton Quarry, was held in 1920 under option by the Hanover Portland Cement Company, Limited. In accordance with an agreement dated July 29, 1920, that option was conveyed by the Cement Company to the Hydro-Electric Power Commission of Ontario, and on September 15, 1920, the Commission exercised the option and acquired the property for a consideration of \$15,000.

The object of the purchase was to provide an adequate supply of stone suitable to the manufacture of cement, and the stone from the Walkerton Quarry was said to be especially adapted to this purpose. In connection with the operation of the quarry, it was found necessary to purchase also, certain tracts of land to provide right-of-way for a railway spur, connecting with the Grand Trunk Railway.

We have prepared from the accounts of the Hydro-Electric Power Commission, and have attached hereto, the following exhibits:

1. Statement of the capital cost of Walkerton Quarry as at October 31, 1921, and as at March 31, 1922.
2. Statement of operations of the Walkerton Quarry.

The investment in the Walkerton Quarry, as at October 31, 1921, as stated by Mr. Clarkson in the audit report as of that date,

"was regarded by the Commission as a part of its investment in the Niagara Power Development, for the reason that the bulk of the stone taken from the quarry was consumed in the manufacture of cement, which was used in the construction of the Chippawa Canal. The expenditures in connection with the quarry for the fiscal year, ending October 31, 1921, were, however, not charged against the appropriations for the Chippawa works, but were made by the Commission out of appropriations for miscellaneous capital construction."

A special classification of accounts for the purpose of compiling construction and operating costs, was adopted for expenditures incident to the quarry, and we have been informed that the expenditures were distributed by engineers and accountants of the Commission according to the plan provided.

On Exhibit 1, an analysis is given of the capital cost, as at October 31, 1921, and also as at March 31, 1922, the properties having been sold, as referred to later, in March 1922. Under date of July 29, 1920, an agreement was entered into by the Commission and the Hanover Portland Cement Company, Limited, whereby the latter agreed to purchase stone from the quarry at a price of 90 cents per ton, or in the event the cost might exceed this price, the company agreed to pay the excess. The company also agreed to sell to the Commission its entire output of cement, or such part of it as the Commission might desire to purchase, at a maximum price

per barrel of \$1.92, determined, in general, as set forth in the agreement, as follows:

Manufacturing Cost including depreciation	\$1.62
Fixed Charges, covering plant rental and profit	.30
<u>T o t a l</u>	<u>\$1.92</u>

but with necessary variations for coal, labor, depreciation and stone. The company further agreed to change its plant from a marl cement plant to a stone cement plant within the earliest possible time and have such alterations completed not later than November 1, 1920, also to operate the existing mill to its capacity during such alterations. On the termination of the agreement, the company contracted to purchase from the Commission, the said quarry, plant and equipment connected therewith, together with the railway spur, at the original cost, less depreciation.

During the months of March, April and May 1921, before the construction work in and around the quarry had advanced sufficiently to permit of regular operations, due to the urgent requirements for stone, certain temporary operations incident to production were carried on, and the charges in connection therewith, were included in the cost of production. Shipments to the Cement Company as a result of these temporary operations amounted to 9,358.65 tons of stone at a cost of \$27,496.88 or \$2.94 per ton.

The regular operations of the quarry covered the period from June 1921 to October 1921, and during this interval 20,202.30 tons of stone were shipped to the Cement Company at a cost of \$44,049.16, or \$2.18 per ton.

The aggregate cost of the stone produced during the periods of temporary and of regular operations as shown in further detail on Exhibit 11, was \$71,546.04, or an average of \$2.42 per ton for the 29,561 tons of stone quarried. Including depreciation of \$45,104.12, mentioned later in this memorandum, the aggregate cost of the stone produced was \$116,650.16. There was included in the production

costs, an amount of \$7,513.14 for interest on the capital investment calculated at the rate of 6.5% per annum.

Depreciation was not included by the Commission as part of the cost of stone billed to the Cement Company, but the respective jobs receiving stone cement from that company were charged, prior to October 31, 1921, with amounts aggregating \$31,882.01 and subsequent to that date, but prior to the date of the sale of the quarry, with an additional sum of \$13,222.11, making a total of \$45,104.12. This total was credited to a reserve for depreciation and charged to the various jobs on the basis of the number of barrels of stone cement used. It should be mentioned that this amount of \$45,104.12 represents the difference between the capital cost of \$355,104.12, (exclusive of equipment, etc., transferred to the Eugenia System) and the \$310,000.00 received as the consideration for the properties from the Hanover Portland Cement Company, Limited; as mentioned later in this memorandum.

A representative of the Hydro-Electric Power Commission of Ontario, we were informed, supervised the accounting of the Hanover Portland Cement Company, Limited, and from time to time reviewed the accounts. From statements prepared by that representative, for the purposes of the Commission, it has been found that the costs of the two classes of cement produced, f. o. b. Mill, are as follows:

Particulars	Number of Barrels	Total Cost at Mill	Average Cost per Barrel
<u>Stone Cement-</u>			
Cost at Mill, not including depreciation of quarry plant	125,216	\$314,537.45	\$ 2.51
Depreciation of stone quarry plant charged direct by the Commission to jobs using this stone cement	-	45,104.12	.36
Total Cost on above basis of stone cement (at Mill)	125,216	\$359,641.57	\$ 2.87
<u>Marl Cement-</u>			
Cost at Mill	35,755	128,797.70	3.60
<u>Together</u>	160,971	\$488,439.27	-

The costs as shown above include variations from the estimated price per barrel for coal, labor and stone, as allowed for in the agreement. The difference between the total cost of \$488,439.27 and the amount of \$489,135.90, stated in the Annual Audit Report as at October 31, 1921, as subject to adjustment for returned sacks, is represented, in the main, by the amount agreed upon between the two parties on August 16, 1922, in settlement of allowances for returned sacks.

The following sets forth the approximate cost of cement delivered to the various jobs by the Cement Company:

Particulars	Number of Barrels	Freight per Barrel (a)	Approximate Average cost per Barrel Delivered
<u>Stone Cement-</u> (f.o.b. Mill, \$2.87)			
Niagara	118,610	\$.66½	\$ 3.53½
Nipigon	5,425	1.73½	4.60½
Walkerton	7½	.33½	3.20½
Campbellford	2,070	.73½	3.62½
Guelph Radial			
Railway	175	.49	3.36
Hanover Station	53½	-	2.87
Herrington	875	.61½	3.48½
<u>Total per above summary</u>	125,215		(Delivery commenced May 1921)
<u>Marl Cement-</u> (f.o.b. Mill, \$3.60)			
Niagara	18,455	.68½ (b)	4.28½
		.66½ (c)	4.26½
Nipigon	15,925	1.78½ (b)	5.38½
		1.73½ (c)	5.33½
Walkerton	1,200	.33½ (c)	3.93½
Stores Niagara Falls	175	.68½ (b)	4.28½
<u>Total per above summary</u>	35,755		

Notes:

- (a) Freight per barrel three hundred and fifty pounds
- (b) September to December 1920
- (c) January to December 1921

The prices paid during 1921 to other manufacturers furnishing cement to the same construction work that received cement from the Hanover Portland Cement Company, Limited, are shown below:

Location	Price of Cement per Barrel	
	January to July, 1921	August to December, 1921
F.O.B. cars Niagara Falls	\$ 4.00	\$ 3.75
" " Cameron Falls (Aipigon)	6.32	4.50
" " Campbellford	-	3.75

On March 14, 1922, an agreement was entered into between the Commission and the Hanover Portland Cement Company, Limited, superseding the original agreement dated July 29, 1920, whereby the Commission agreed to sell to the Company, the tracts of land, plant equipment, rolling stock, tools and stores in connection with the stone quarry plant, with the exception of one bucket elevator, reserving the right to the title of the plant until full payment of the purchase price of \$310,000. The terms of the sale are as follows:

Amount payable on or before March 31, 1922 (Paid in on May 15, 1922)	\$ 50,000.00
Amount payable March 31, 1923	22,846.70
Twenty-eight equal half-yearly instalments of \$14,131.09 each, comprising principal and interest, commencing September 30, 1923 (Interest calculated at the rate of 7% per annum on the outstanding principal amount)	395,670.52
T o t a l	\$474,517.22

which sum is subdivided as follows:

Amount agreed upon as purchase price	\$310,000.00
Interest charges	164,517.22

It should be noted in connection with the rate of interest charged as above of 7% on the outstanding balance, that the rates payable by the Commission to the Province for advances was 6.3% and 6.5% for 1920 and 1921 respectively.

The Commission reserved the ownership of the main transformer building, all equipment therein and the high voltage lines thereto carried on the books prior to March 31, 1922, at a valuation of \$12,633.12. The book value of this equipment, etc., as of October 31, 1921, of \$12,616.50, per Exhibit I, was subsequently increased to \$12,633.12 by small expenditures, and transfer thereof made from the Walkerton Quarry account, to the Eugenia System capital cost account.

The Commission also reserved a right-of-way for certain lines for the purpose of erecting pole lines. The right-of-way is to follow that at present occupied by the high voltage lines leading to the existing transformer station.

Yours very truly,

Price, Waterhouse & Co.

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIOSTATEMENT OF THE CAPITAL COST OF WALKERTON QUARRIES

	<u>As at October 31st 1921</u>	<u>As at March 31st 1922</u>
Quarry Lands-		
Purchase of Quarry	\$ 17,534.76	17,534.76
Clearing Quarry	7,168.82	7,168.82
Exploratory Work	4,814.14	4,814.14
Water Supply and Drainage	760.05	760.05
Roads	809.47	809.47
	31,087.24	31,087.24
Excavating Machinery	17,668.03	17,668.03
Primary Crushing Equipment	87,332.16	87,416.56
Screening and Secondary Crushing Equipment	39,314.19	39,381.39
Power Supply Lines, Buildings and Equipment-		
Lines, Poles and Fixtures	\$ 1,648.77	Transferred to Eugenia System
Lines, Cables	1,001.61	
Stations, Buildings	1,200.18	
Stations, Equipment	8,706.94	
Total Property Transferred to Eugenia System	\$ 12,618.50	
Power, Light Distribution	7,402.05	7,406.70
	20,018.55	
Railway Spur Tracks and Equipment-		
Railway Site	\$ 12,390.67	12,390.67
Construction and Material	103,509.76	103,866.76
Drainage	3,026.51	3,026.51
	118,926.94	119,283.94
Storage Equipment	19,241.00	19,376.38
Carried Forward	\$333,500.00	\$321,624.27

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	As at October 31st 1921	As at March 31st 1922
Brought Forward	\$333,569.09	\$321,624.27
Miscellaneous Buildings and Equipment -		
Hats Numbers 1, 2, 3 and 4	\$ 3,368.11	3,368.11
Dining and Cooking Room	1,440.48	1,440.48
Blacksmith's Shop	1,093.44	1,093.44
Powder House	673.60	673.60
Office	420.99	420.99
Stores	<u>1,145.93</u>	<u>1,145.93</u>
	8,142.55	8,142.55
Field Office Furniture	388.59	338.59
Tool Account	1,444.32	1,554.32
Stores	6,994.07	6,998.03
Coal	51.30	51.30
Explosives	3,886.59	3,886.70
Interest (from October 31st 1921, to date of sale - property not operated during this period)		9,603.06
Excavating		226.17
Hauling to Crusher		.93
Primary Crushing		300.94
Screening and Secondary Crushing		10.46
Power and Light		54.39
Shipping		67.92
General		2,244.49
<u>TOTAL</u>	<u>\$354,498.51</u>	<u>\$355,104.12</u>
Less- Depreciation	31,892.61	45,104.12
<u>BALANCE</u>	<u>\$322,605.90</u>	<u>310,000.00</u>

HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

STATEMENT OF COST OF OPERATIONS OF THE WALKERTON QUARRY

Particulars	Labour and Material	Plant Maintenance and Rental	Miscellaneous	Total
Temporary Operations- March, April and May 1921:				
Removing Overburden and getting ready for operation	\$ 1,732.44	8.02	775.41	2,535.87
Excavating and Hauling to Crusher	14,964.70	1,433.71	5,173.06	21,572.27
Primary Crushing	509.00	58.73	227.97	795.70
Power and Light	561.18	-	8.10	569.28
Loading and Hauling to Walkerton	1,170.35	409.28	444.05	2,023.68
Total	\$18,957.67	1,900.74	6,635.47	27,493.88
Tons produced 9369.65	Average per ton			\$2.9381
Regular Operations - June to October 31, 1921:				
Excavating	\$ 9,204.29	1,495.28	129.11	10,828.68
Hauling to Crusher	1,193.73	663.80	1,481.77	3,339.30
Primary Crushing	577.71	1,185.65	196.73	2,960.09
Screening and Secondary Crushing	412.34	526.68	15.75	954.67
Power and Light	2,797.31	77.64	587.34	3,462.29
Shipping	1,541.24	3,816.29	89.60	5,447.13
General	2,395.18	45.15	5,739.10	8,179.43
Plant Rental	-	-	2,423.43	2,423.43
Interest	-	-	7,513.14	7,513.14
Total	\$18,041.80	7,810.39	18,196.97	44,049.16
Tons produced 20,202.30	Average per ton			\$2.1804
Together	\$36,999.47	9,720.13	24,836.44	71,546.04
Total Tons produced 29,560.95	Average per ton			\$2.4203

STATEMENT OF OPERATIONS OF THE WALKERTON QUARRY (Continued)

Shipments of Stone from Quarry as shown by copies of invoices rendered to the Hanover Portland Cement Company, Limited. Weights as shown by the Railway Bills of lading were used by the Commission for invoicing purposes.

<u>Temporary Operations:</u>	<u>LBS</u>	<u>LBS</u>	<u>TONS</u>
Shipments during March, 1921	3,284,500		
April	7,035,200		
May	7,617,900		
May	<u>779,700</u>		
		18,717,300	9,358.65
<u>Regular Operations:</u>			
Shipments during June, 1921	882,500		
July	7,895,900		
August	<u>10,940,100</u>	19,718,500	9,859.25
September	10,003,300		
September	2,582,100		
September	1,918,500		
September	<u>1,080,500</u>	15,564,400	7,782.20
October	3,542,800		
October	1,353,900		
October	<u>1,220,100</u>	5,121,700	2,560.85
Total tons of Stone Shipped			<u>29,560.95</u>

Prices invoiced as below:

9,358.65 tons at \$2.9662 per ton	\$ 27,760.42
9,859.25	24,845.95
7,782.20	11,985.40
2,560.85	6,428.77

Additional Charges-

Excavating	\$180.33
Power	555.57
Shipping	<u>89.60</u>

825.50

Total Operating Cost
of Quarry\$ 71,546.04

